

12 January 1976

MEMORANDUM FOR: All NIOs

SUBJECT : "State of the World"

1. By now you should have received a xeroxed copy of your current submissions to the "State of the World" paper. Each of you initially made contributions to each of the three parts of the exercise as it was originally conceived. The DCI wants to discuss it this afternoon and has changed his mind about how he wants it organized. His current thinking is to have each component topic addressed only once in a combined treatment that would include events we consider likely next year, those we consider unlikely but nonetheless possible, and developments which could occur well within the next decade but are not likely to occur within the next 12 to 18-odd months.

2. He thought it would be easier to go over this exercise with everyone present and suggested that each of you have in front of yourself your own current submissions while he was talking about your respective areas.

3. At this writing, neither SP nor CF has made a submission and the Director plans to take up in his discussion how he would like these two functional areas handled.

George A. Carver, Jr.
Deputy for National Intelligence Officers

China

The shock of Chou En-lai's death in China has been diminished by careful preparations for the succession which were started almost three years ago. Teng Hsiao-ping, a tough but less talented man, will probably emerge as the Premier. His assumption of the party leadership under Mao (where real power lies) will be more difficult. Although the current leadership agrees on the need for a strong and unified China, divisions remain as to how to achieve these ends. These divisions would become more acute if Mao died this year. Teng would still, however, be able to establish control but he could face challenges from orthodox Maoists who might question some of the accepted policies, including the U.S. connection. In foreign policy, Teng will probably try to operate under the guidelines set down by Mao and Chou, to wit; continued hostility towards the Soviet Union, emphasis on China's role in the Third World, and restrained manipulation of the U.S. connection.

China will probably not undertake any military action against Taiwan in 1976 although it will probably increase its power in the Taiwan Strait and in the South China Sea. China will continue to seek a change in ^{U.S.} diplomatic relations from Taiwan to the PRC but in the short term will probably demonstrate little flexibility in negotiations in such matters as the US/Taiwan mutual defense treaty or a renunciation of force.

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